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Quebec, Canada, September 1946
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(THIRD)
INTERIM REPORT

of the

ROYAL COMMISSION

Approved by Order in Council
P.C. 417 of February 5, 1946

March 27, 1946



Printed by the Government of Canada
Quebec, Canada, 1946

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(THIRD)

INTERIM REPORT

of the

ROYAL COMMISSION

Established by Order in Council
P.C. 411 of February 5, 1946

March 29, 1946



OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1946

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ROYAL COMMISSION

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THIRD INTERIM REPORT OF THE ROYAL COMMISSION TO THE GOVERNOR GENERAL IN COUNCIL

(Made public March 29, 1946)

OTTAWA, Ontario,
March 29th, 1946.

YOUR EXCELLENCY:—

Re: P.C. 411

We desire further to report as follows:—

Eric Adams entered McGill University in 1925, graduated in engineering in 1929, and obtained the degree of Master of Business Administration at Harvard in 1931. His first employment was with the advertising agency of Cockfield, Brown and Company, of Montreal. In 1934 he made, as a tourist, an extended trip to Russia, and, after having occupied several positions in Canada, in 1936 he went to the United States for three years, where he was employed as an engineer with Coverdale and Colpitts in New York. In 1940 he joined the Wartime Requirements Board, in 1941 the Foreign Exchange Control Board, in 1944 the Bank of Canada, all in Ottawa, and in 1945 the Industrial Development Bank with residence in Montreal. While occupying these various positions of trust, he was a member of several committees and secretary of the Main Examining Committee of the Inventions Board during the war.

Documents coming from the Russian Embassy show that *Eric Adams* was known under the cover name of "ERNST". He is referred to as follows in a document written in Colonel *Zabotin's* handwriting:—

"He gives detailed information about all kinds of industries, plans for the future. Supplies detailed accounts of sessions. Gives materials daily. Good worker.

He is connected with *Foster*. Both live in Ottawa. Taken to work at the end of January."

In a mailing list sent by *Zabotin* to Moscow on the 5th of January, 1945, he is credited with having furnished the following information:—

Name	Material	Date
ERNST	Review	Despatch of Munitions to England
"	"	November
"	"	"
"	"	"
"	"	"
"	"	"
"	Central Branch	July-September
"	Copy	Invention of Waterproofing (Page 5 of 8-12-44 original)

Name	Material	Date
ERNST		
"	Manuscript Notes on the conference	20-12-44
"	Copy Central Branch	Sept.-October
"	" Unloading of m. stor. for month of November	14-12-44
"	" Report of 24-11-44	24-11-44
"	" Inspection Br.	2-12-44
"	" Inspection Br.	28-11-44
"	" Inspection Br.	2-12-44
"	" Correspondence about contracts	12-12-44
"	" Correspondence with companies	December
"	" Corrections	"
"	" Correspondence with companies	"
"	" "	"
"	" "	"
"	" "	"
"	" "	"
"	" "	"
"	" (Page 6 of original)	"
"	" Enquiries	"
"	" "	"
"	" Correspondence	"

the whole comprising a total of 203 pages.

This list cannot be considered as exhaustive of the information furnished by him, for he appears to have been quite active while in Ottawa, and also after the 1st of January, 1945, when he joined the Industrial Development Bank in Montreal. Miss Willsher has stated before us, very frankly we think, that he asked information about her work at the British High Commissioner's Office, which she gave, not only while he was in Ottawa, in 1942 and 1943 and 1944, but also in 1945.

For that purpose he made special trips to Ottawa in 1945, the contacts being arranged through an intermediary, and the meetings taking place at pre-arranged places, or in his automobile when the information was given. In one instance Adams gave Miss Willsher \$25.00 for the purpose of going to Montreal.

Adams has been called by Miss Willsher the leader of an Ottawa group, and it was to him naturally that the information should be given,—

"in the interest of the Communist Party"

when they met with others of the group to discuss the—"theory and practice of socialism and communism and the party program." These meetings were the occasions when she would convey information to Adams.

When confronted with the evidence given by Miss Willsher, Adams gave evasive answers, stating that his questions had been misconstrued by Miss Willsher. He professed throughout his evidence to having a poor memory and attributed to it his hesitancy in answering very many questions. He made no clear denial of the evidence given by Miss Willsher, taking refuge in his professed view that she had misinterpreted the situation.

Adams' conduct and associations with Soviet agents, his personal sympathies dating back at least to 1935 which made him easily receptive to the suggestions of Messrs. Zabolotin and Rogov, his endeavours to obtain information of a secret nature, which turned out in many instances to be fruitful, as evidenced by the testimony of Miss Willsher, and the documents from the Embassy, leave little doubt in our minds that he has conspired to commit offences in violation of the

Official Secrets Act, and that he has also committed the substantive offences of obtaining for the benefit of a foreign power, secret information, and of inciting others to commit such offence.

Israel Halperin, of Russian descent, was born in 1911. He is 35 years old and is a professor of mathematics at Queens University, Kingston, Ontario.

At the Russian Embassy, he was known as "BACON", and formed part of the group which was to operate under the direction of Captain Gordon Lunan. In the original assignment given to Lunan by Lieutenant Colonel Rogov, it was Lunan's duty to obtain from Halperin information concerning "Valcartier" and "the formulas of explosives and samples".

Halperin joined the army in 1942. In 1943 he was attached to the Directorate of Artillery, became a Captain in 1944 and a Major in 1945. In that branch of the army, he worked on a considerable number of secret projects, some of which were so important that they were known, even amongst the few who were aware of them, under code names. In his position he had access to all the files and documents concerning explosives and weapons and all the new discoveries made available to the artillery.

Lunan contacted Halperin several times and reported in writing to the Embassy the results of his conversations. At first, according to Lunan, Halperin did not seem sufficiently impressed with the "conspiratorial" nature of the work, but later gave the information asked for including information on the Canadian Army Research and Development Establishment, called C.A.R.D.E. and the various plants and laboratories that would be operated by this organization. This included information about the Pilot Explosives Plant, the Ballistics Laboratory, the Designs Branch and the Field Trials Wing. He emphasized the work done at the Ballistics Laboratory, with particulars as to new explosives. This latter information conveyed to Lunan by Halperin was of a highly secret nature.

Another assignment given to Lunan by the Russian organization was to obtain information through Halperin on the "electro-projector", which was at that time a fuse newly developed by British and Canadian scientists and manufactured by the Americans. Halperin promised to comply with the request made to him, and later informed Lunan of the existence of this new projectile and the general principles of its operation. This device, developed by co-operation between the United Kingdom, the United States and Canada, was one of the most devastating projectiles used in the Japanese war, and is of such a secret nature that we have been asked by the military authorities not to report with more particularity than as above.

Halperin had associations with other persons involved in the agency organization. He was known to many of them and kept in a pocket book the telephone numbers of Adams, Boyer, Nightingale, Rose, Shugar and Poland. When Lunan received his first assignment to contact Halperin he did not know him, but it is a significant fact that, on the document written by Rogov, Halperin's name appeared—he was already known at the Embassy.

When Halperin appeared before the Commission, assisted by Counsel, full opportunity was given to him to explain all this direct and circumstantial evidence against him, but his refusal to furnish any explanation and his general demeanor, fully convince us that he violated the Official Secrets Act on more than one occasion.

Durnford Smith is a member of the microwave section of the Radio Branch of the National Research Council. He is an honour graduate of McGill University in mathematics and physics and holds his master's degree obtained for work in connection with radio-activity. In 1936 he applied for a post in the National Research Council, but not until 1942 was he finally successful in obtaining a temporary position as Junior Research Engineer in the radio

laboratory. On January 12, 1946, he was engaged for a three year term. Before entering the employ of the National Research Council he was with the Bell Telephone Company for some five years. His work in the Council was secret and on his appointment he took the usual oath of secrecy.

Smith, as the evidence shows, was one of the group of agents reporting through Lunan to Lieutenant Colonel Rogov. He was referred to in the Embassy records under the cover name of "BADEAU". In July, 1945, he was brought into direct contact with Rogov. Smith did not admit participation, but a great deal of the evidence he would not deny. From the Embassy two documents, one of them containing notes, formulae and drawings, established to be in the handwriting of Smith, were produced by Gouzenko. The handwriting of these, Smith says, is "like" his. He had no explanation for the presence of the documents in the Embassy. He himself furnished to the Embassy his picture and biographical material for its dossier on him.

Certain definite tasks were assigned to Smith from time to time. As an example, on August 6, 1945, the following memorandum was given to him:—

"ASSIGNMENT FOR BADEAU, NUMBER 3

Given through Back 6-8-45

Obtain the following literature for photographing: GL 14003, Som. 14032, A.S.V. 14040, B and N.S. 13960.

NOTE: If the specified material is bulky or if it is not convenient to take such a number of books, then the given number can be reduced at your discretion, but everything must be very careful.

P.S. After reading burn."

The numbers are the numbers of secret documents in the Radio Branch of the National Research Council.

Between August 8th and 22nd, Smith drew from this library ten documents and he had previously drawn fifteen others. All of these remained in his possession till after August 26th. Included in those drawn by him on August 20th were Nos. 14003 and 14032.

Colonel Rogov's notebook contains the following entry:—

<p>"3. 25-8-45 Regular (meeting), everything normal. Handed over a large quantity of radio literature and various reports, all told about ten books. He gave notice that he was going on a two-week's vacation. Was given the assignment on radio material and other things. (See assignment No. 4). The meeting to return the material will be on 26-8-45 on the corner of Osgood and Cumberland at 22.00".</p>	<p>There was an awful rain. He came, however, gave notice that in future he would not come during such kind of weather—not naturally.</p>
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The evidence shows that on the evening of August 25th the heaviest rain of the month occurred; Smith himself admits that at that date he was looking forward to his vacation shortly thereafter.

On August 27th, Zabotin wired the "DIRECTOR" in Moscow as follows:—

"We have received from BADEAU 17 absolutely secret and secret documents (British, American and Canadian) on the question of magnet, radio-locators for field artillery, three secret scientific research journals of 1945. Altogether about 700 pages. In the course of the day we were

able to photograph all the documents with the help of the Leica and the photofilter. In the next few days we will receive almost the same amount of documents for 3 to 5 hours and with one film we will not be able to do it. I consider it necessary to examine the whole of the library of the Scientific Research Council.

Your silence on My No. 256 may disrupt our work on photographing the materials. All materials have been sent by mail in turn."

The Embassy records show that these documents were returned to Smith on August 26th.

The "library of the Scientific Research Council" mentioned in the above telegram, is not, as may well be imagined, the library of that body which is open to members of the public, but the library of secret documents kept in the various branches of the Council and notably in the Radio Branch.

We are satisfied on all the evidence, documentary and otherwise, including the evidence of Lunan and Mazerall, as well as the evidence of Smith himself, that Smith was an active agent of the Embassy.

J. S. Benning became an employee of the Department of Munitions and Supply in July, 1942, and was placed in the Ammunition Production Branch. Prior to that for a short time he had been with Allied War Supplies Corporation, a Crown company. In both these positions he took an oath of secrecy. Later in his employment he was transferred to the Economics and Statistics Branch of the Department. In April, 1945, he went to the Department of Reconstruction where he became Assistant Secretary and later Secretary of the Depreciation Committee. While in the Department of Munitions and Supply he was Joint Secretary of the Canadian Munitions Assignment Committee.

On the mailing list for one day, January 5, 1945, which details documents mailed by the Embassy to Moscow on that day, "FOSTER" is credited as being the source of supply of seventy separate documents. It has not been possible to identify each of these documents from the descriptions given in the mailing list but more than half of this material may be identified either in particular or generally. The evidence establishes that Benning, whose cover name, according to Gouzenko, was "FOSTER", had to do with this material in connection with his work or was in a position where it was possible for him to have access to such material either by himself or through Gerson, who was his brother-in-law.

Three items on the mailing list may be referred to:—

"No.	Name	Material	Date
155	FOSTER	North Amer. Comm. Report of of Coordin.	23.11.44
156	FOSTER	D.M. and S. Report of	24.11.44
157	FOSTER	North Amer. Com-Notes and mittee Report	23.11.44"

There was put in evidence before us the minutes of a meeting of the North American Co-ordinating Committee of the Joint Gun Ammunition Production Committee held November 23, 1944, and minutes of the same committee of November 24, 1944. These proceedings were secret. H. S. Gerson was the Secretary of these meetings and Benning says that the minutes of this Committee came to him in the Economics and Statistics Branch.

In a column of the list, not copied in the above, it is noted "See who was Secr. Meet." The writer evidently desired to emphasize the source of the material as a guarantee of future supply. For some devious reason it was apparently thought better to have "FOSTER" deliver these documents rather than Gerson himself.

A number of items on the mailing list consists of "corrections" or "supplements" to contracts. Benning was, with others, engaged in preparing quarterly production reports in the Economics and Statistics Division which were amended from time to time on the basis of, including other items, cables from the United Kingdom authorities. Several of these "corrections" on the mailing list coincide in date with the dates of certain of these cables.

The evidence also shows that Benning was in communication with Nightingale, Gerson and Shugar as well as with an intermediary not in the Government service, who was engaged in supplying information to the Russian Embassy.

The Official Secrets Act, 1939, Sec. 3 (1) in part is as follows:—

3. (1) "If any person for any purpose prejudicial to the safety or interests of the State,

- (b) makes any... note which is calculated to be or might be or is intended to be directly or indirectly useful to a foreign power; or
- (c) obtains, collects, records, or publishes, or communicates to any other person any secret... article, or note, or other document or information which is calculated to be or might be or is intended to be directly or indirectly useful to a foreign power

he shall be guilty of an offence under this Act.

(2) On a prosecution under this section, it shall not be necessary to show that the accused person was guilty of any particular act tending to show a purpose prejudicial to the safety or interests of the State, and, notwithstanding that no such act is proved against him, he may be convicted if, from the circumstances of the case, or his conduct, or his known character as proved, it appears that his purpose was a purpose prejudicial to the safety or interests of the State;.....

(3) In any proceedings against a person for an offence under this section, the fact that he has been in communication with, or attempted to communicate with, an agent of a foreign power, whether within or without Canada, shall be evidence that he has, for a purpose prejudicial to the safety or interests of the State, obtained or attempted to obtain information which is calculated to be or might be or is intended to be directly or indirectly useful to a foreign power.

(4) For the purpose of this section, but without prejudice to the generality of the foregoing provision—

- (a) a person shall, unless he proves the contrary, be deemed to have been in communication with an agent of a foreign power if—
 - (i) he has, either within or without Canada, visited the address of an agent of a foreign power or consorted or associated with such agent; or
 - (ii) either within or without Canada, the name or address of, or any other information regarding such an agent has been found in his possession, or has been supplied by him to any other person, or has been obtained by him from any other person;
- (b) the expression 'an agent of a foreign power' includes any person who is or has been or is reasonably suspected of being or having been employed by a foreign power either directly or indirectly for the purpose of committing an act, either within or without Canada, prejudicial to the safety or interests of the State, or who has or is reasonably suspected of having, either within or without Canada, committed, or attempted to commit, such an act in the interests of a foreign power;

- (c) any address, whether within or without Canada, reasonably suspected of being an address used for the receipt of communications intended for an agent of a foreign power, or any address at which such an agent resides, or to which he resorts for the purpose of giving or receiving communications, or at which he carries on any business, shall be deemed to be the address of an agent of a foreign power, and communications addressed to such an address to be communications with such an agent."

Benning denied giving any information and denied he was the source of the material credited to "FOSTER" in the mailing list referred to. However, the name and telephone numbers of the intermediary referred to were found in a notebook belonging to him. This intermediary, in our opinion, in the evidence comes clearly within ss. 4 (b). Benning has no explanation of any kind for the presence of the name of this person in his book, although he admits the entries are his.

While Benning was giving evidence as to his work there was no reason for us to think he was speaking other than frankly. Other aspects of his evidence, however, were not as satisfactory and his failure to account for the presence in his book of the information pertaining to the intermediary in question, is, in our view, significant. While there is no direct evidence that he gave information, we do not attach any weight to his denial.

Squadron Leader F. W. Poland became in April, 1942 an administrative intelligence officer in the R.C.A.F. in the Directorate of Intelligence, R.C.A.F. Headquarters, Ottawa. As from November 10, 1944 he was seconded to the Armed Forces Section of the Wartime Information Board and from May, 1945 was Executive Secretary of the Psychological Warfare Committee. He sat at all meetings of the Committee, carried out its directions in prisoner of war camps, directives issued by the Political Intelligence Department passed through his hands, and he had access to all documents to which the Committee had access. While in the Directorate of Intelligence he had supervision of security education throughout the R.C.A.F. He drafted orders affecting security information and was secretary of the Security Sub-committee of the Canadian Joint Intelligence Committee, which in turn, was a sub-committee of the Chiefs of Staff. He was also, for a short time, a member of a committee on the grading of documents from the standpoint of security.

On a page from Col. Zabotin's notebook which Gouzenko produced the following appears under the heading:—

"Second Group (Ottawa-Toronto)"

- "3. POLLAND. Ministry of Aviation.
Works in Toronto in the Intelligence Branch. He gave a map of the training schools. Up to the present is not working.
4. SURENSEN. He works in the Naval Ministry. He works in Intelligence. Gave materials about construction of ships. Left for Overseas.
Both worked up to April."

Gouzenko testified that in a telegram sent by Zabotin to Moscow in 1943, Zabotin suggested that "POLLAND" be turned over to the N.K.V.D. We have evidence that that organization, the Russian Secret Police, had an organization under its direction working in Canada long before Zabotin arrived in July, 1943. Moscow replied to this telegram that it was not worth while doing so as "POLLAND" might develop into a good worker. Gouzenko was unable to say whether "POLLAND" was a cover name or a real name. The evidence shows that on enlistment in the R.C.A.F. Intelligence Poland was in Toronto in May-June, 1942 and was then transferred to the Directorate of Intelligence, Ottawa. The evidence shows that there was no other person by the name of "Polland" or "Poland" who answers to the above.

There is also other evidence. The names and telephone numbers of Lunan, Nightingale and Pavlov were found entered in the desk telephone directory or desk calendar pad belonging to Poland. The names of Lunan and Nightingale have been mentioned many times. Pavlov is the second secretary and consul of the Russian Embassy and the telephone number in the desk pad is the telephone number of the Embassy on Charlotte Street in Ottawa. Pavlov, according to the evidence of Gouzenko, is one, and perhaps the chief, of the N.K.V.D. men there.

Poland appeared before us with Counsel and refused to be sworn, to answer any questions, or to make any explanation, although offered the opportunity of seeing the evidence referred to above.

Having regard to these circumstances and the provisions of the Official Secrets Act cited in dealing with Benning, it would appear to us that Poland has brought himself within those provisions, although so far as the evidence before us goes, the map indicated by Col. Zabotin's notebook would not appear to have been very important; but with information available to Poland it was capable of being made very useful.

There remain a number of witnesses yet to be heard, many of whose names are mentioned in the documents placed before the Commission by Gouzenko. The names of others appear in other documents filed as exhibits, or in the evidence of the various witnesses whom we have heard. With this report we have completed the hearing of the evidence of those persons who were detained under P.C. 6444.

Respectfully submitted,

ROBERT TASCHEREAU,
Royal Commissioner.

R. L. KELLOCK,
Royal Commissioner.

His Excellency
The Governor General in Council,
Ottawa.

